

RESULT UPDATE

MID CAP

Share Data

Reuters code	ICMN.BO
Bloomberg code	ICEM IN
Market cap. (US\$ mn)	879
6M avg. daily turnover (US\$ mn)	5.7
Issued shares (mn)	307
Target price (Rs)	140

Performance (%) 1M 3M 12M

Absolute	(3)	14	11
Relative	(2)	6	(28)

Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	9.0	16.4
+/- (%)	(22.2)	82.5
PER (x)	14.2	7.8
PBV (x)	1.0	1.0
Dividend/Yield (%)	0.9	1.4
EV/Sales (x)	1.4	1.2
EV/EBITDA (x)	7.4	5.2

Major shareholders (%)

Promoters	25
FII's	28
MF's	11
BFSI's	9
Public & Others	27

Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10P	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Net sales	8,885	9,643	8.5	33,595	37,476	11.6	40,895	9.1	47,621	16.4
EBITDA	2,358	1,360	(42.3)	9,386	8,133	(13.4)	7,515	(7.6)	10,722	42.7
EBITDA margin (%)	26.5	14.1	-	27.9	21.7	-	18.4	-	22.5	-
Other income	(122)	28	(123.1)	353	1,038	193.9	744	(28.3)	794	6.7
Interest paid	350	369	5.4	1,121	1,426	27.1	1,557	9.2	1,641	5.4
Depreciation	533	616	15.5	2,033	2,431	19.6	2,477	1.9	3,137	26.7
PBT	1,354	404	(70.2)	6,482	5,313	(18.0)	4,116	(22.5)	6,618	60.8
Total tax	(415)	(143)	(65.7)	2,161	1,770	(18.1)	1,358	(23.3)	1,585	16.7
Reported PAT	939	383	(59.2)	4,321	3,543	(18.0)	2,758	(22.2)	3,219	16.7
Adjusted PAT	939	261	(72.2)	4,321	3,543	(18.0)	2,758	(22.2)	5,033	82.5
Equity shares (mn)	282.4	307.1	8.7	282.4	307.1	8.7	307.1	-	307.1	-
Adjusted EPS (Rs)	3.3	0.9	(74.4)	15.3	11.5	(24.6)	9.0	(22.2)	16.4	82.5

India Cements

Maintain Outperformer

Price: Rs 127

BSE Index: 17,503

30 April 2010

4QFY10 Result – Below par 4Q, can only get better, valuations attractive

The sharp movement in cement prices in the March quarter has partially reflected in the results with a ~Rs 164 per tonne QoQ improvement in realisations. However, EBITDA per tonne showed a mere ~Rs 6 per tonne QoQ improvement to Rs 436 as a steep increase in raw material costs by Rs 72 per tonne has hurt. With prices starting to correct from the recent highs in South and the soft quarterly numbers, we expect the stock to remain soft. However, the valuations at an EV per tonne of US\$ 71 (assuming US\$ 225 EV for Chennai Super Kings franchisee) is attractive and we maintain our Outperformer call. It remains one of our preferred picks in the mid-cap cement space.

Highlights

- Cement volumes at 2.951 mn tonnes for the quarter, up 27% YoY as capacities came through in 2HFY10. Realisations are up by Rs 164 per tonne QoQ to Rs 3,247. This is also partly due to the very low clinker quantity on QoQ basis.
- Windpower revenues Rs 4.6 mn for the quarter, Shipping Rs 107 mn for the quarter.
- EBITDA per tonne up by Rs 6 per tonne QoQ at Rs 436 per tonne. Raw material cost per tonne was higher by Rs 72 per tonne QoQ. Power and fuel costs lower by Rs 21 per tonne QoQ. Other expenditure high on QoQ basis at Rs 1.52 bn. This is likely to include the MD's remuneration which is charged on an annual basis.

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Net sales	33,595	37,476	40,895	47,621
Growth (%)	10.3	11.6	9.1	16.4
Operating expenses	(24,209)	(29,344)	(33,380)	(36,899)
Operating profit	9,386	8,133	7,515	10,722
EBITDA	9,386	8,133	7,515	10,722
Growth (%)	(14.1)	(13.4)	(7.6)	42.7
Depreciation	(2,136)	(2,431)	(2,587)	(3,257)
Other income	353	1,038	744	794
EBIT	7,604	6,739	5,673	8,259
Interest paid	(1,121)	(1,426)	(1,557)	(1,641)
Pre-tax profit (before non-recurring)	6,482	5,313	4,116	6,618
Non-recurring items	0	0	0	(1,814)
Pre-tax profit (after non-recurring)	6,482	5,313	4,116	4,804
Tax (current + deferred)	(2,161)	(1,770)	(1,358)	(1,585)
Net profit (before Minority Interest, Pref. Dividend etc.)	4,321	3,543	2,758	3,219
Prior period adjustments	1	0	0	0
Reported PAT	4,322	3,543	2,758	3,219
Adjusted net profit	4,322	3,543	2,758	5,033
Growth (%)	(37.0)	(18.0)	(22.2)	82.5

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Cash and Marketable sec.	852	3,464	3,617	5,356
Other current assets	20,583	21,728	22,494	23,999
Investments	1,590	1,590	1,590	1,590
Net fixed assets	47,123	48,351	47,305	49,706
Other non-current assets	185	0	0	0
Total assets	70,332	75,133	75,005	80,651
Current liabilities	11,533	11,504	7,732	8,468
Total debt	19,880	19,913	21,813	24,730
Other non-current liabilities	2,741	2,556	2,556	2,556
Total liabilities	34,154	33,973	32,101	35,754
Share capital	2,824	3,070	3,070	3,070
Reserves & surplus	33,490	38,410	40,184	42,214
Less: Misc. expenditure	(136)	(320)	(350)	(387)
Shareholders' funds	36,178	41,160	42,904	44,897
Total equity & liabilities	70,332	75,133	75,005	80,651
Capital employed	58,799	63,629	67,273	72,183

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Pre-tax profit	6,482	5,313	4,116	4,804
Depreciation	2,033	2,331	2,477	3,137
Change in working capital	(1,843)	(1,039)	(4,178)	(950)
Total tax paid	(1,669)	(1,963)	(1,358)	(1,585)
Other operating activities	1	0	0	0
Cash flow from oper. (a)	5,004	4,643	1,056	5,405
Capital expenditure	(9,340)	(3,560)	(1,430)	(5,538)
Change in investments	(297)	(0)	0	0
Others	680	(184)	(30)	(37)
Cash flow from inv. (b)	(8,957)	(3,744)	(1,460)	(5,575)
Free cash flow (a+b)	(3,953)	899	(404)	(170)
Equity raised/(repaid)	52	2,956	0	0
Debt raised/(repaid)	1,765	33	1,900	2,917
Dividend (incl. tax)	(659)	(661)	(718)	(359)
Others	(610)	(615)	(625)	(649)
Cash flow from fin. (c)	548	1,713	557	1,909
Net change in cash (a+b+c)	(3,404)	2,612	153	1,739

Key Ratios

Yr end 31 Mar (%)	FY09	FY10E	FY11E	FY12E
Adjusted EPS (Rs)	15.3	11.5	9.0	16.4
Growth	(39.4)	(24.6)	(22.2)	82.5
Book NAV/share (Rs)	104.6	119.1	121.9	130.4
Dividend/share (Rs)	2.3	2.4	1.2	1.8
Dividend payout ratio	15.3	20.3	13.0	10.7
Tax	33.3	33.3	33.0	33.0
EBITDA margin	27.9	21.7	18.4	22.5
EBIT margin	22.6	18.0	13.9	17.3
RoCE	13.6	11.0	8.7	11.8
Net debt/Equity	52.6	40.0	42.4	43.2

Valuations

Yr end 31 Mar (x)	FY09	FY10E	FY11E	FY12E
PER	8.3	11.0	14.2	7.8
PCE	5.6	6.5	7.3	4.7
Price/Book	1.2	1.1	1.0	1.0
Yield (%)	1.8	1.9	0.9	1.4
EV/Net sales	1.7	1.5	1.4	1.2
EV/EBITDA	5.9	6.8	7.4	5.2

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY09	FY10E	FY11E	FY12E
Net margin (%)	12.9	9.5	6.7	10.6
Asset turnover	0.5	0.5	0.5	0.6
Leverage factor	1.9	1.9	1.8	1.8
Return on equity (%)	12.5	9.2	6.6	11.5

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